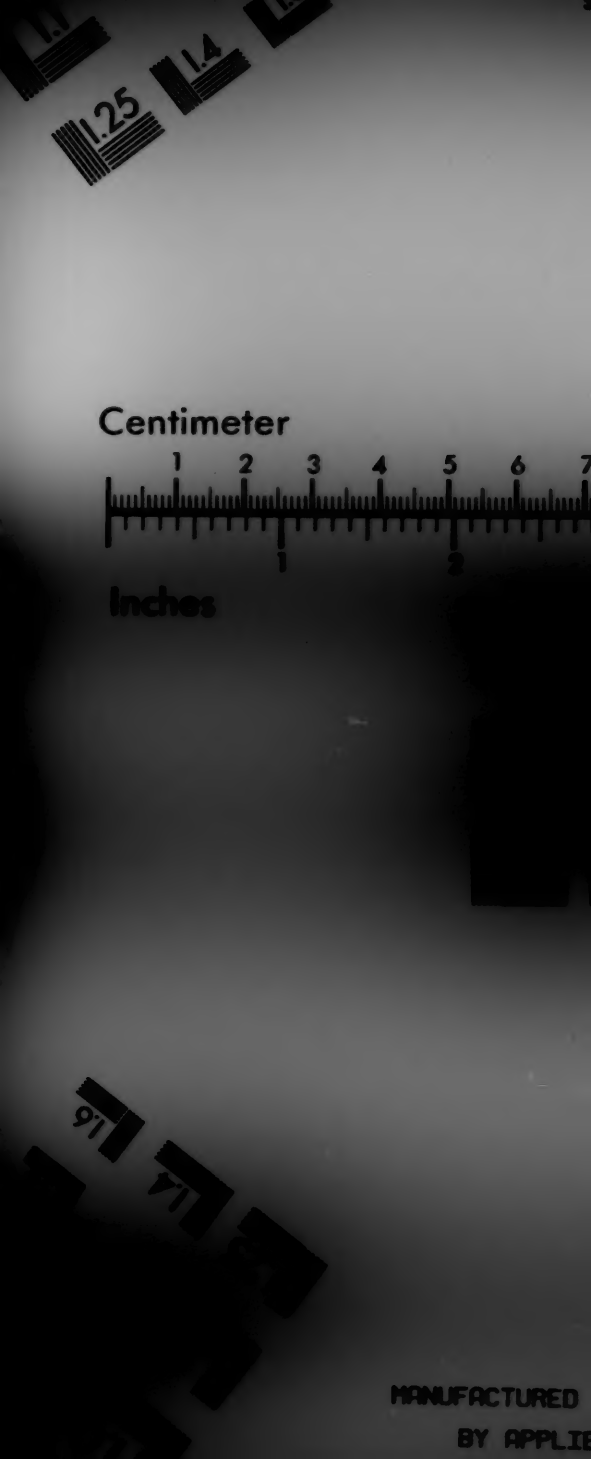
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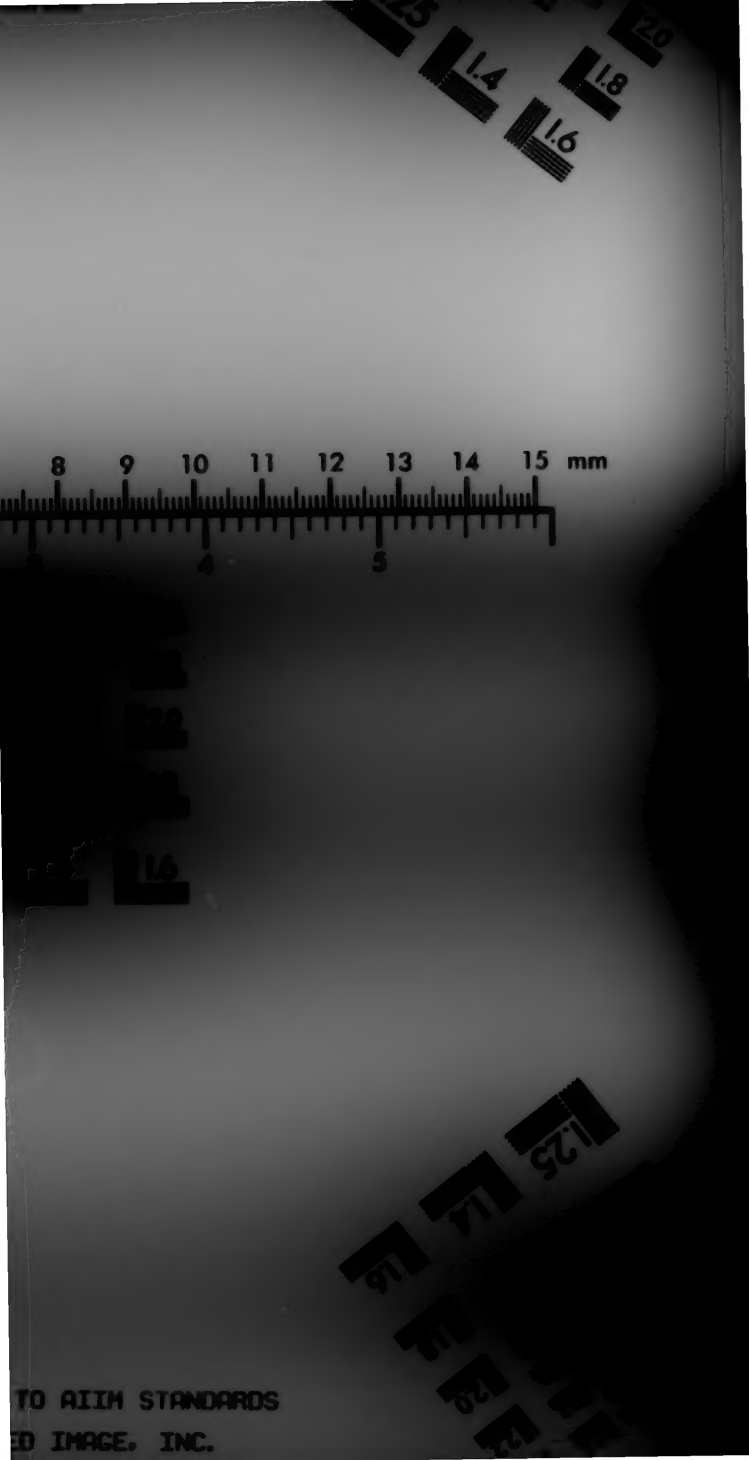

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California's Investment in Public Education: A Look at the Past Three Decades

By

Thomas J. Nussbaum
Chancellor, California Community Colleges

September 2003

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California's Investment in Public Education: A Look At the Past Three Decades

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Executive Summary

This paper is intended to assist policy makers and the public we serve in understanding the extent to which California has maintained its investment in public education over the past three decades. In particular, the paper focuses on two critical measures of the State's investment: 1) the extent to which California has provided access to higher education through each of the three public segments of higher education; and, 2) the extent to which the level of funding per full-time student (FTES or ADA) provided to each of the four public segments (UC, CSU, CCC, and K-12) has increased or decreased over time. The answer to these questions is essential to address critical public policy decisions that must be made in the near-term future. If the State has done a good job of maintaining or increasing access, and if the State has been making a real and significant investment in its public schools and colleges, then, during these very difficult budgetary times, it might make sense to temporarily hold off on further investments. On the other hand, if the State has done a poor job of providing access, and if the State has actually retreated on its investment in public education over time, then the State should take steps to prevent further erosion.

The analysis shows that California has a very uneven record in providing access to higher education. Particularly in times of recession and budget deficits, the State has regularly denied hundreds of thousands of students the opportunity for higher education. This denial of access occurs in all three segments, but is especially volatile and pronounced in the California Community Colleges. Also, the California Community Colleges have become less accessible over time: significantly more access was afforded during the period of 1975 to 1990 than during the period of 1991 to the present. Finally, despite recent efforts to restore access, the State is now entering a period during which it will actually begin to reduce enrollments rather than address the demand to serve 600,000 additional students by 2011.

The analysis also shows that California has made a fairly steady and significant investment in K-12 education. However, the State still lags in per pupil spending, both in terms of the national average and the averages of the ten largest states.

As to higher education, the per student investment in UC, CSU, and CCC's has significantly waned during periods of recession and budget deficits; and, during good economic times, the State has struggled to restore the levels of per student funding to prior levels. There has not been any real or sustained improvement in funding per student over

time. In fact, for community colleges, the level of investment has not only declined during periods of recession and budget deficit, but has also declined over time.

This thirty-year perspective provides compelling evidence that the state should be continuing its investment in public education, rather than retreating. As we enter another down cycle, hundreds of thousands of Californians are going to be denied access to higher education. Also, lowered levels of funding per student are forcing compromises in the quality of education we provide. Immediate intervention is necessary to prevent further erosion.

Analysis

I. Access to Public Higher Education— 1975 to 2005

Figures 1, 2, and 3 depict the headcount enrollments for UC, CSU, and CCC's, respectively, from the period of 1975-76 to 2002-03. UC and CSU headcount numbers are for the entire academic year, while community college enrollments are fall counts. For UC and CSU, full-year counts tend to be slightly higher than fall counts. For community colleges fall enrollments tend to be slightly higher than spring semester counts. Also, all three charts depict the Department of Finance's enrollment projections for fall 2005 (2002 Projection Series). These enrollment projections are prepared annually, and, as a rule, tend to be more conservative than the enrollment projections developed by each of the three systems.

The State of California does not have an officially prescribed or formally adopted method for projecting enrollment demand for higher education. The Department of Finance, the California Postsecondary Education Commission, and each segment prepare enrollment projections. Generally speaking, UC and CSU projections are based on the numbers of high school students and graduates. Community college enrollments are based primarily on the increase in the adult population, but also on high school graduates, unemployment rates, and other factors.

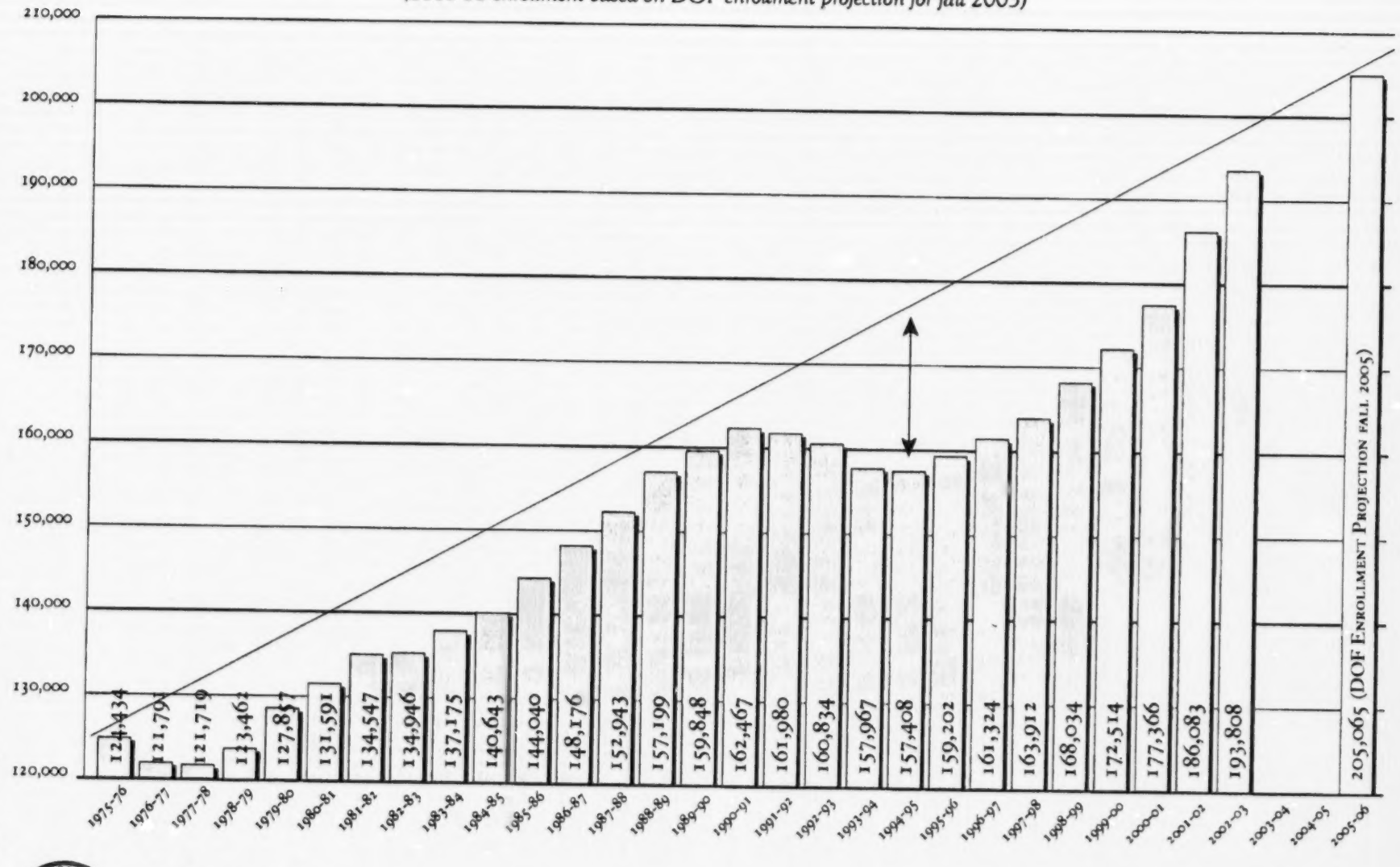
A. Access to the University of California

When the history of UC headcount enrollments (Figure 1) is examined, it is evident that enrollments have steadily gone up, generally tracking with the rate of increase in high school graduates and California's young adults. The one key exception is the recession and difficult budget years of 1991-92 to 1995-96, when enrollments declined slightly instead of increasing gradually. During the good funding years of 1996-97 to 2001-02, enrollments rebounded. If we draw a line connecting the tip of the 1975-76 bar with the tip of the 2005-06 bar, we gain a rough view of the State's consistency in providing access to UC. During good funding years, access to the University is expanded to almost catch up to this line; during bad years, the gap between the line and actual headcount enrollment significantly widens. For instance, in 1994-95, UC enrolled 157,408 students, about 5,000 fewer than four years earlier, and about 20,000 fewer than a consistent linear rate of increase would have predicted.

(Figure 1)

UC Headcount Enrollment: 1975-76 to 2005-06

(2005-06 enrollment based on DOF enrollment projection for fall 2005)



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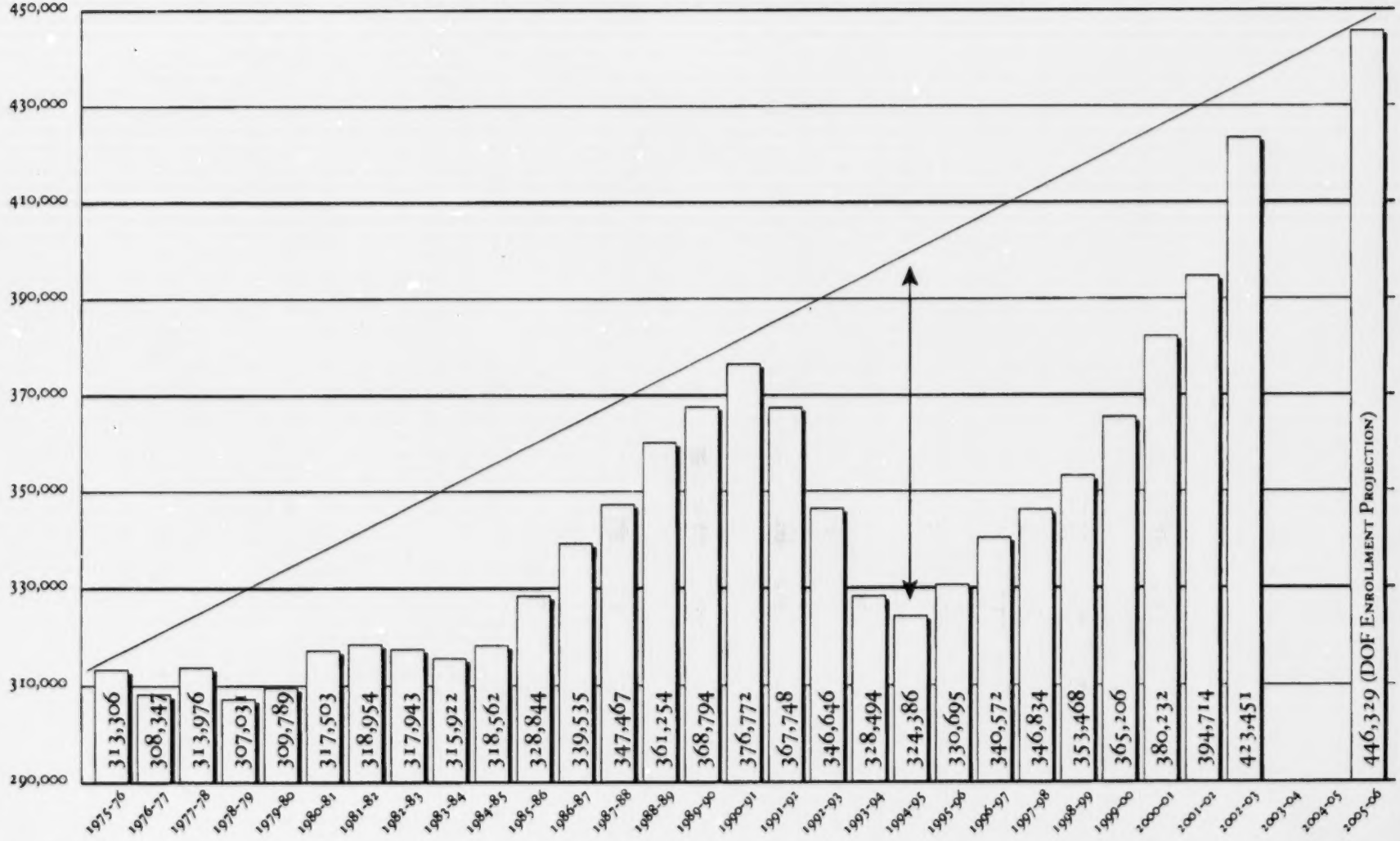
B. Access to the California State University

When the history of CSU headcount enrollments (Figure 2) is examined, it is evident that enrollments are significantly more volatile than UC. For instance, during the recession and difficult budget years of 1990-91 to 1995-96, enrollments plummeted by about 50,000—almost a 15% drop. Less pronounced is the first half of the 1980's, when enrollments were flat or declining, instead of increasing. Again, if we draw a line connecting the tip of the 1975-76 bar to the tip of the 2005-06 bar, we gain a rough view of the State's consistency in providing access to CSU. During good funding years, access to CSU is expanded to almost catch up to the line; during bad years the gap between the line and the actual headcount enrollments increases. For instance, in 1994-95, CSU enrolled 324,386 students, about 50,000 fewer than three years earlier, and about 75,000 fewer than a consistent linear rate of increase would have predicted.

(Figure 2)

CSU Headcount Enrollment: 1975-76 to 2005-06

(2005-06 enrollment based on DOF enrollment projection for fall 2005)



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C. Access to the California Community Colleges

When the history of CCC headcount enrollments (Figure 3) is examined, it is clear that community college enrollments are the most volatile. For instance, with the passage of Proposition 13 in 1978, community college funding was reduced significantly, and the colleges were constrained to reduce enrollments by over 160,000 students in a single year. During the recessions and difficult budget years of 1981-82 to 1984-85, enrollments dropped by over 280,000. And, during the recessions and difficult budget years of 1991-92 to 1995-96, enrollments dropped by over 160,000 students. Again, if we draw a line connecting the tip of the 1975 bar to the tip of the 2005 bar, we have a rough view of the State's consistency in providing access to the community colleges. Following the recessions and difficult budget years, a measure of access is restored during good budget years. After 1984, there were six straight years of strong enrollment growth; and after 1995, there were seven straight years of strong enrollment growth.

It should be noted that, over time, enrollment growth in the community colleges has not kept up with the rate of increase in the adult population in the State. For instance, if the level of enrollment in the fall of 1976 (1,257,343) were adjusted by the rate of adult population growth between then and what is projected by the Department of Finance for 2003, the total enrollment of the system in 2003 would be more than 2,153,000. Even if we take a low enrollment year, such as 1978, and adjust by the rate of increase in the adult population since that time, the predicted enrollment in 2003 would be 1,873,000. Both of these figures are in excess of current enrollments and the Department of Finance enrollment projections for 2003.

Another commonly used analysis of community college access is depicted in Figure 4. Here we apply the established metric of "adult participation", which is derived from the ratio of community college fall enrollments to the adult population of the State. The "participation rate" is the number of community college fall enrollees per 1,000 California adults. The participation rate analysis is commonly used for community colleges because the mission of these institutions is to serve the adult population (see Education Code Sections 66011, 76000 and 84750(g)). Since at least 1983, state law has provided that community college enrollments are to be increased by the rate of change of the adult population.

In Figure 4 we depict, using the shaded background, what a participation rate of 73/1000 California adults would produce in terms of enrollments. We use the rate of 73/1000 because the system adopted this standard as the minimum necessary level of access to community colleges that the State should commit to fund (*California Community Colleges 2005, July 1998*). To put this standard in some form of context, 73/1000 is the average participation rate for the years 1975 to 1990; also, the participation rate for the Department of Finance's enrollment projection for 2005 translates to about 69/1000—only slightly below the system's standard.

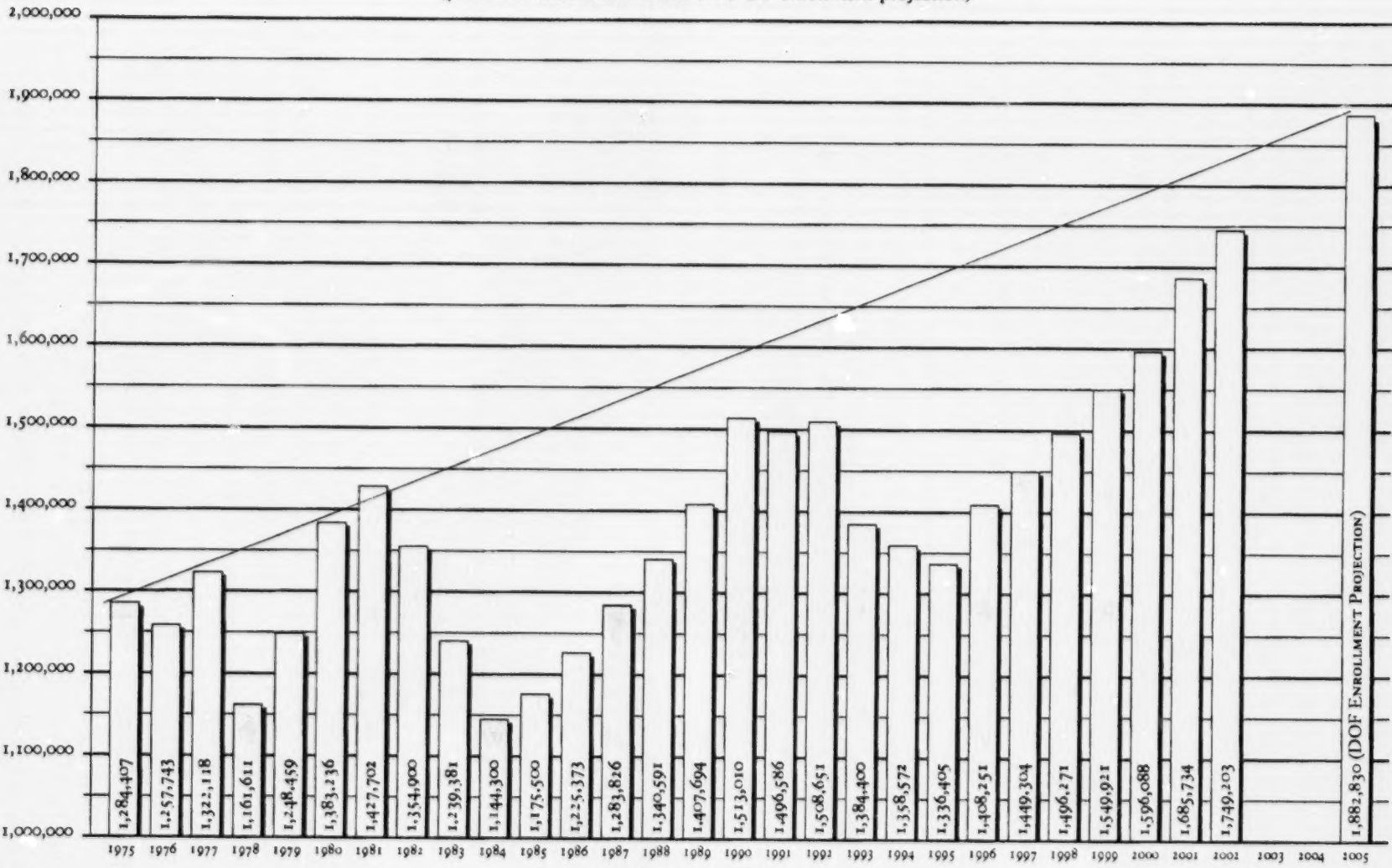
From this participation rate analysis, several points are apparent: First, during the period of 1975 to 1982, fall enrollments exceeded this participation rate (except for 1978, the year Proposition 13 passed). Since 1983, the state has never funded this level of participation. In certain years, the gap between actual enrollments and the enrollments predicted by the participation rate is very large. For instance, in 1984, the colleges enrolled 233,000 fewer students than the participation standard would have predicted; and, in 1995, the participation gap was an astounding 358,000 students!

Over time, the State's community colleges are serving smaller percentages of the California adult population. During the period of 1975 to 1990, the average participation rate for the community colleges was 73.2/1000; yet during the period of 1991 through 2002, the average participation rate for the community colleges was 62.6/1000. While participation rates edged up during the late 1990's and peaked in the fall of 2002, they still only reached 67/1000. Now, unfortunately, as of spring 2003, the participation rate is again in decline.

(Figure 3)

CCC Headcount Enrollment (fall): 1975-2005

(fall 2005 enrollment based on DOF enrollment projection)



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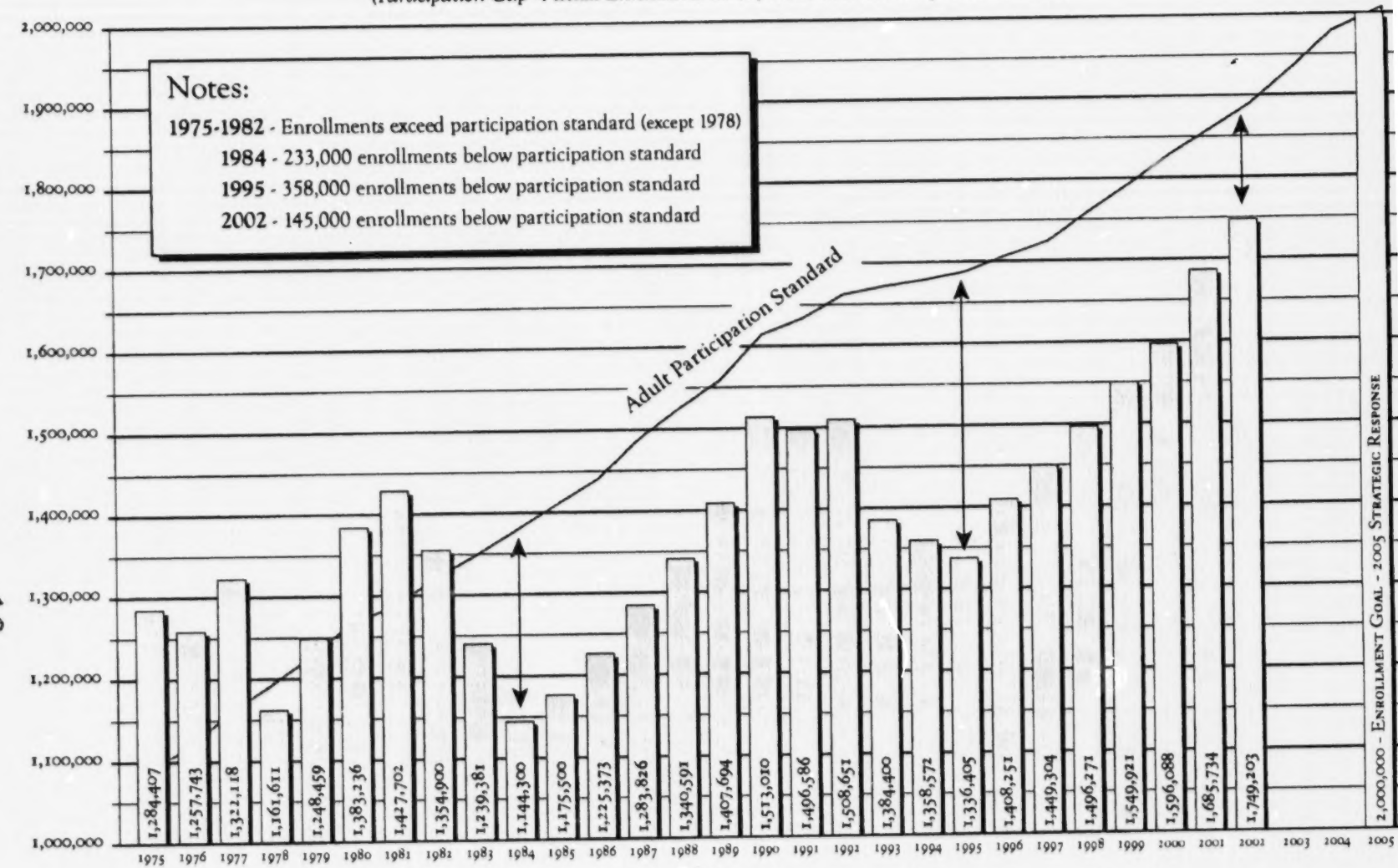
(Figure 4)

California Community Colleges Fall Enrollments: Participation Gap

(Participation Gap - Actual Enrollments vs. 73/1000 Adult Participation Standard)



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ABSTRACT

This document focuses on two critical measures of California's investment in public education: (1) the extent to which California has provided access to higher education through each of the public segments of higher education; and (2) the extent to which the level of

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D. Reasons for Loss of Access to Higher Education

While we have clearly demonstrated that access to higher education has been uneven during the past thirty years, and while we have demonstrated that access to community colleges has been on the wane, it is important to understand the reasons for this unfortunate development. Here, we focus on the two most powerful reasons: 1) reductions in funding, including funding for enrollment growth; and 2) increases in student fees (tuition). We explore each of these factors in turn.

Level of Funding—Including Enrollment Growth

During good economic times, the State funds the colleges for enrollment growth and other improvements. This funding enables the colleges to meet more of the true enrollment demand by adding course sections and admitting more students. Referring to Figure 5, which pertains only to the community colleges, we can use the period of 1995 to 2002 to demonstrate this point. By 1995-96, the State was coming out of difficult fiscal times, and was able to fund enrollment growth, cost-of-living adjustments, and other improvements. As depicted in Figures 3 and 4, the community colleges were able to rebuild enrollments for a period of seven straight years. During these years, the total number of course sections offered by the colleges climbed steadily as enrollments grew by more than 400,000 students (from 1,336,405 to 1,749,203).

During bad economic times, the colleges suffer reductions in base funding, go without cost-of-living adjustments, and have enrollment growth funded at significantly reduced rates. With reductions in base funding and no cost-of-living adjustments, the colleges are constrained to reduce the number of course sections offered, thus ultimately reducing the number of students that can be served. Referring to Figure 5, this was the case from 1991-92 to 1995-96. During these years, no cost-of-living adjustments were provided and enrollment growth was being funded at reduced rates. Fall enrollments thus declined, and a level of access was lost. The total number of course sections offered declined, taking until 1996-97 to rebound.

Increases in Student Fees

The second major reason why access has been uneven is that the State has increased student fees (tuition), causing many to choose not to attend. Referring to Figure 5, a case in point is 1993-94. Here the State increased community college enrollment fees from $6 to $13 per unit; and, students with a degree (baccalaureate or greater) were charged $50 per unit. Fall 1993 enrollments dropped almost 125,000 from the previous fall. Another case in point is that in January 1984, the first-ever enrollment fee of $5 per unit was enacted for community colleges. The enrollments for fall of 1984 dropped 95,000 below the level of fall 1983.

A complicating factor is that community college fee increases have a history of being abrupt, unpredictable and after-the-fact. In almost every instance, the State has decided upon fee increases after the start of the fiscal year, and well after the time the colleges are planning their offerings and registering students.

While we do know that funding reductions have reduced access to higher education, and while we also know that student fee increases have reduced access, it is virtually impossible to determine the relative effect of each of these factors. When we look back at the past 30 years, it has usually been the case that funding reductions and fee increases have been implemented together. In essence, because the State does not have the resources to fund the colleges, student fees are increased to make up for at least part of the reduced state support.

To attempt to make some headway in understanding the relative impact of funding reductions and student fee increases, we are examining a few community college funding years in greater depth. In 2002-03, there was no fee increase, but there were $161 million in mid-year reductions. In the spring of 2003, enrollments fell by almost 59,000 from the level of fall 2002, and by 51,000 from the level of the previous spring. For the first time in 15 consecutive semesters dating back to spring 2005, system enrollments declined. A similar year that involved no fee increase was 1978-79, when the community colleges took a $107 million funding reduction as a result of the passage of Proposition 13 in June of 1978. The community colleges enrolled 160,500 fewer students in the fall of 1978 than they did in the fall of 1977. Finally, the community colleges are required to implement a fee increase from $11 to $18 per unit for the fall of 2003. When we compare spring 2003 enrollment levels to fall 2003 enrollment levels, we hope to gain a better understanding of the relative impact of the fee increase.

Overall, it's important not to become preoccupied with the debate about whether funding reductions or fee increases are more responsible for the loss of access to higher education. The fact of the matter is that access is being reduced, and that the State's policies on student fees and its inconsistent commitment to fund the colleges are largely responsible.

(Figure 5)

California Community Colleges: Enrollments, Funding, and Fees

Fiscal Year	Funded Enrollment Growth (FTES)	Cost of Living Adjustment	System Funding (Billions)	Course Sections Offered	Enrollment Fee	Enrollment Change Compared to Previous Fall
1991-92	2.08%	0%	$2.676	N/A	$6/unit	-16,000 / -1.1%
1992-93	1.72%	0%	$2.738	127,018	$6/unit	+12,000 / +0.8%
1993-94	1.69%	0%	$2.729	123,988	$10/unit + $50 diff.	-124,000 / -8.2%
1994-95	1.25%	0%	$2.757	123,307	$13/unit + $50 diff.	-26,000 / -1.9%
1995-96	1.17%	3.07%	$2.948	123,073	$13/unit + $50 diff.	-22,000 / -1.6%
1996-97	3.15%	3.06%	$3.199	131,856	$13/unit	+72,000 / +5.4%
1997-98	3%	2.97%	$3.530	140,684	$13/unit	+41,000 / +2.9%
1998-99	3%	2.26%	$3.889	146,111	$12/unit	+47,000 / +3.2%
1999-00	3.5%	1.41%	$4.087	152,303	$11/unit	+53,000 / +3.6%
2000-01	3.5%	4.17%	$4.672	156,071	$11/unit	+46,000 / +2.4%
2001-02	3%	3.87%	$4.964	160,909	$11/unit	+90,000 / +5.6%
2002-03	3%	2.00%	$4.878	159,552	$11/unit	+64,000 / +3.8%
2003-04	1.5%	0%	$4.966	N/A	$18/unit	

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E. Access Losses Could Have Been Worse:

A chilling fact is that during difficult economic times the loss of access could actually have been worse—by up to 100,000 to 150,000 additional students for all three segments. This is so because in difficult fiscal times the community colleges especially, but also CSU and UC, serve large numbers of students without funding. By compromising quality and squeezing students in, the three segments heroically struggle to maintain a level of access.

We illustrate this phenomenon by focusing on the early 1990's, and on 2001-02 and 2002-03. Typically, when the economy begins to tighten and the State becomes less able to fund the colleges, we have more employees who are squeezed out of the workforce. Many of these individuals turn to our colleges for education and training. The combination of increased enrollment demand and lowered funding fosters a spike in the number of students who are being served by the colleges without funding. During the five difficult years of 1990-91 through 1994-95, the community colleges served the following numbers of full-time equivalent students (FTES) *without funding*:

1990-91	49,634 FTES (5.9% of all funded FTES)
1991-92	61,643 FTES (7.2% of all funded FTES)
1992-93	41,721 FTES (4.9% of all funded FTES)
1993-94	31,711 FTES (3.8% of all funded FTES)
1994-95	10,570 FTES (1.2% of all funded FTES)

Thus, at times, the state was providing no funding for 5% to 7% of the students being served. When converted to headcount enrollments, this translates to between 60,000 to 100,000 students being served without funding. Fall enrollments would have been this much lower if the community colleges had chosen to educate only those students for which they received funding.

The same phenomenon is occurring with all three public segments the past two fiscal years:

Unfunded FTES

	UC	CSU	CCC
2001-02	3,800	10,542	41,000 FTES
2002-03	5,700	10,221	33,000 FTES (est.)

F. The Looming Denial of Access:

As we begin the 2003-04 academic year, all three systems have already enrolled significant numbers of students for which they receive no funding. While UC and CSU have each been provided with funding for about 4% enrollment growth, much of this funding will be allocated to the continuing costs of serving students that previously were not funded. The same is true of community colleges. Because the community colleges have been serving approximately 33,000 FTES without funding, the new funding for 1.5% enrollment growth provided by the State will only fund about half of the enrollment that has previously been unfunded. In essence, all three segments are in the position of curtailing and managing enrollments, rather than actually expanding.

For higher education, the downward trend in access has thus begun, and once again the trend is first evident with respect to community colleges. Given the mid-year Budget reductions in 2002-03, community colleges were constrained to reduce access in the spring of 2003. Almost 2,500 course sections were reduced, compared with the previous spring; and enrollments fell by almost 59,000 from the level of fall 2002, and by 51,000 from the level of spring 2002. Given that enrollments should have been increasing to meet projected demand, the loss of access-as of spring 2003-is at least 90,000 students. With the $7 per unit increase in the enrollment fee, it is likely that access will be further reduced in the fall of 2003. The experience of the previous two downward trends tells us there will be three or four years of turning away hundreds of thousands of students per year.

The strong likelihood of the downward trend in access for all of higher education is also presaged in an unprecedented action just taken by the State. As part of the 2003-04 budget package, urgency legislation was enacted declaring the intent not to fund any enrollment growth for UC and CSU in 2004-05. This decision clearly signals the intent to ration access to higher education.

Department of Finance enrollment projections (2002 Series) indicate that between 2001 and 2011, the University of California will need to accommodate about 60,000 additional students, the California State University will need to accommodate an additional 125,000 students, and the California Community Colleges will need to accommodate an additional 400,000 students. Tragically, at a time when California needs to continue to ramp up and serve this "Tidal Wave II" of students-almost 600,000 in number-the State is actually beginning to reduce access to higher education. With the downward trend in access that began in spring 2003, prior history clearly warns that the next two to three years will bring a reduction in access of between 150,000 and 250,000 enrollments. Unless there is a major policy intervention, the State is now locked into moving in the opposite direction it should be going. Instead of serving an additional 150,000 to 200,000 students during the next two or three years, California will be reducing current enrollment levels by a similar amount. With this massive denial of access, the State abandons its commitment to serve the higher education needs of its people.

II. Funding Levels Per Student for Public Education —1976-77 to 2003-04

The second part of our inquiry is to ascertain, for each of our four public education segments, the extent to which funding has been increased or decreased over this nearly thirty-year period. In providing this analysis we have sharpened the focus in two ways: First we are focusing on changes in funding per full-time student (ADA or FTES), rather than changes in the total amount of funding provided to each system over time. The purpose of our inquiry is to determine whether the State is maintaining, increasing, or decreasing its investment. Through the first part of our inquiry we have assessed the extent to which the State has provided access to the growing number of Californians. Now we want to focus on whether the state is maintaining, increasing, or decreasing its investment in each student. Second, we are measuring the change in the investment by converting funding levels per student in previous years to 2002-03 Constant Dollars. While we could have provided an analysis using actual funding levels, this would not tell us whether the investment was actually being increased or decreased, given the effects of inflation. Using reported data from CPEC's Fiscal Profiles, 2002, we have available the actual funding levels per student for UC, CSU, and CCC's that are also converted to 2002-03 Constant Dollars. In addition, we have consulted with CPEC in taking actual K-12 funding levels per ADA and converting them to 2002-03 Constant Dollars. Figures 6 through 9 present this information for UC, CSU, CCC, and K-12, respectively.

CPEC's Fiscal Profiles also present data on "Average Revenues per FTE Student for Instruction-Related Activities" in an attempt to factor out aspects of UC's mission that are not directly tied to instruction (e.g., research). Thus, with respect to UC, we also include this analysis. We chose not to focus on this measure because the data only go back to 1980-81, and the numbers are not available in terms of 2002-03 Constant Dollars. In addition, when we did the Constant Dollar analysis against the "instructionally related activities" funding per student (see figure 6a), it did not change any of the conclusions that we make in the foregoing analysis.

A. University of California Funding Per Student

Figure 6 displays the total funding levels per full-time equivalent student (FTES) in 2002-03 Constant Dollars, beginning with 1976-77. During this 27-year period, the lowest funding per FTES is $21,977 (1983-84) and the highest funding is $26,833 (1985-86). We computed the average for the 27 years-$24,423-that we depict with a bold and dashed horizontal line. Thus, the lowest year was $2,446 (about 10%) below the average, and the highest year was $2,410 (about 10%) above the average.

Over this 27-year period, eight of the first 14 years indicate revenues per FTES significantly above the average; while during the 13 ensuing years (beginning with 1990-91) only two years have been above the average. The average for the first 14 years is $25,102; while the average for the ensuing 13 years is $23,632. During years of state budget difficulty (1982-83 and 1983-84; and 1990-91 through 1996-97) the funding per FTES was significantly below the average. Finally, beginning with 2002-03, the University has again significantly fallen below the average. 2003-04 funding levels, when available, are certain to follow; and can expect a pattern that mirrors the trend of the early 1990's.

Figure 6a depicts UC Revenues per FTES for Instruction Related Activities in 2001-02 Constant Dollars. The average for the 22-year period is $16,215. Eight of the first 11 years were over this average, while five of the next 11 years were over the average. When data becomes available for 2002-03 and 2003-04, it is highly likely these years will fall below the average.

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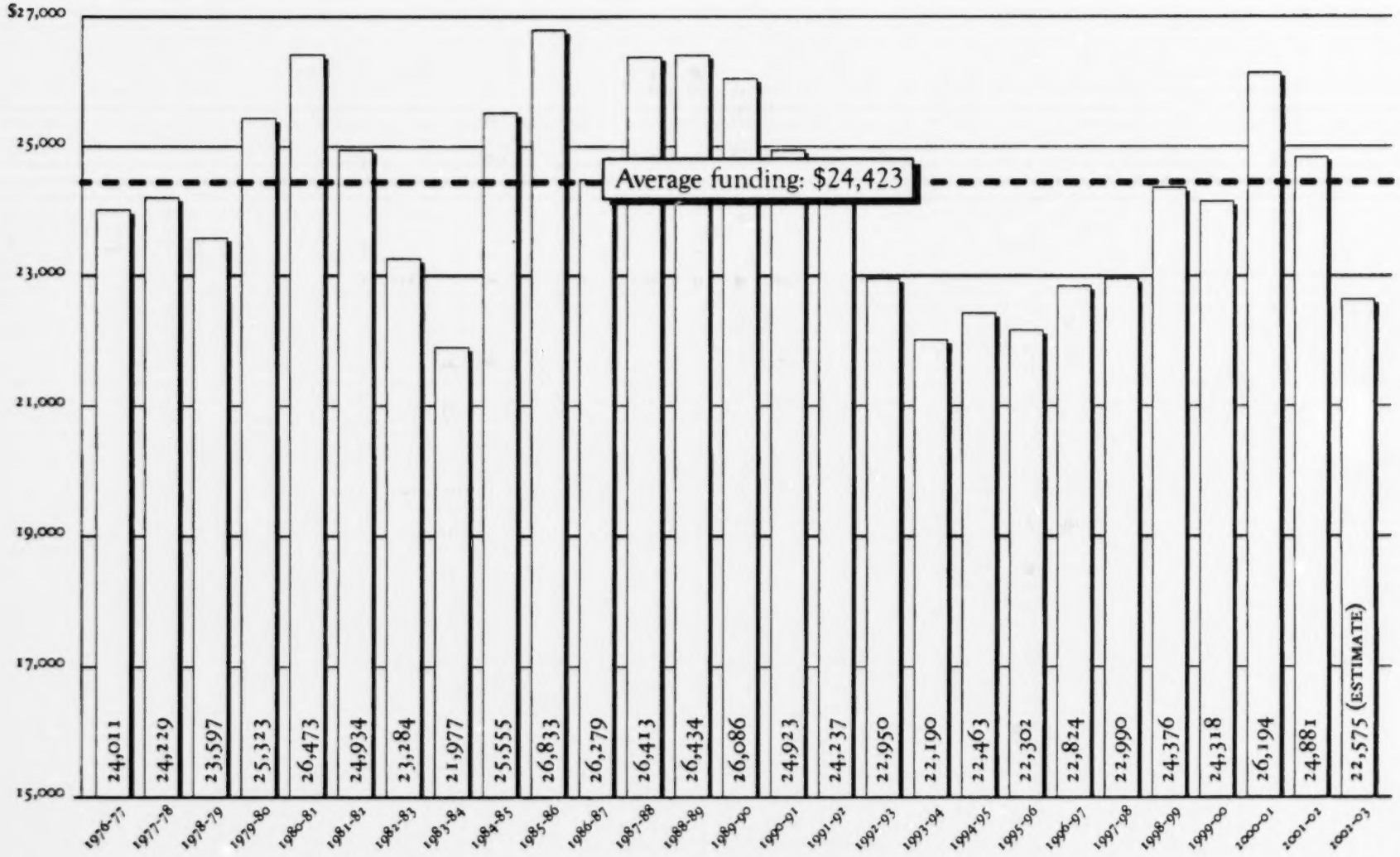
(Figure 6)

Revenues per FTES in 2002-03 Constant Dollars: UC



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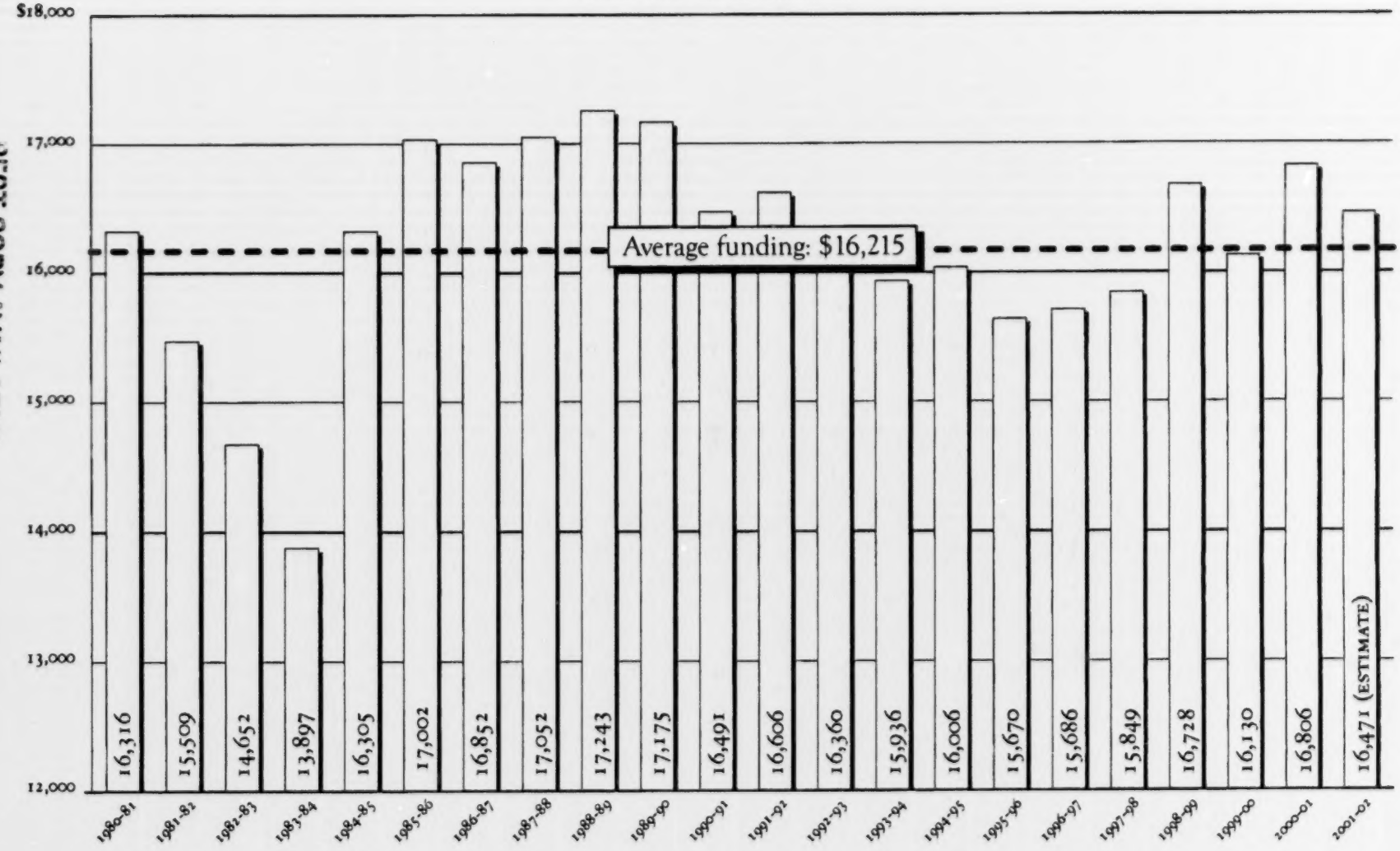
(Figure 6a)

Revenues per FTES in 2001-02 Constant Dollars: UC

(Instruction -Related Activities)



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B. California State University Funding Per Student

Figure 7 displays the total funding levels per full-time equivalent student (FTES), in 2002-03 Constant Dollars, beginning with 1976-77. During this 27-year period, the lowest funding per FTES is $9,907 (1982-83), and the highest is $11,669 (1980-81). We have computed the average for the 27-year period–$11,034– which is indicated by a bold and dashed horizontal line. Thus, the lowest year was $1,127 (a little more than 10%) below this figure; and that the highest year was $635 (about 6%) above this average.

Over this 27-year period, eight of the first 14 years were above the average; while for the ensuing 13 years (beginning with 1990-91), eight are above the average. The average for the first 14 years is $10,973; while the average for the remaining 13 years is $11,099. During years of state budget difficulty (1981-82 through 1983-84; and 1990-91 through 1995-96), the funding per FTES regularly dropped below the average. As with UC, in 2002-03, the CSU dropped below the average for the first time in several years, and this trend continues into 2003-04.

In overall terms, these data indicate that the State has more consistently maintained its investment in CSU than UC; however, during difficult economic times, the State has clearly reduced its investment in funding per student.

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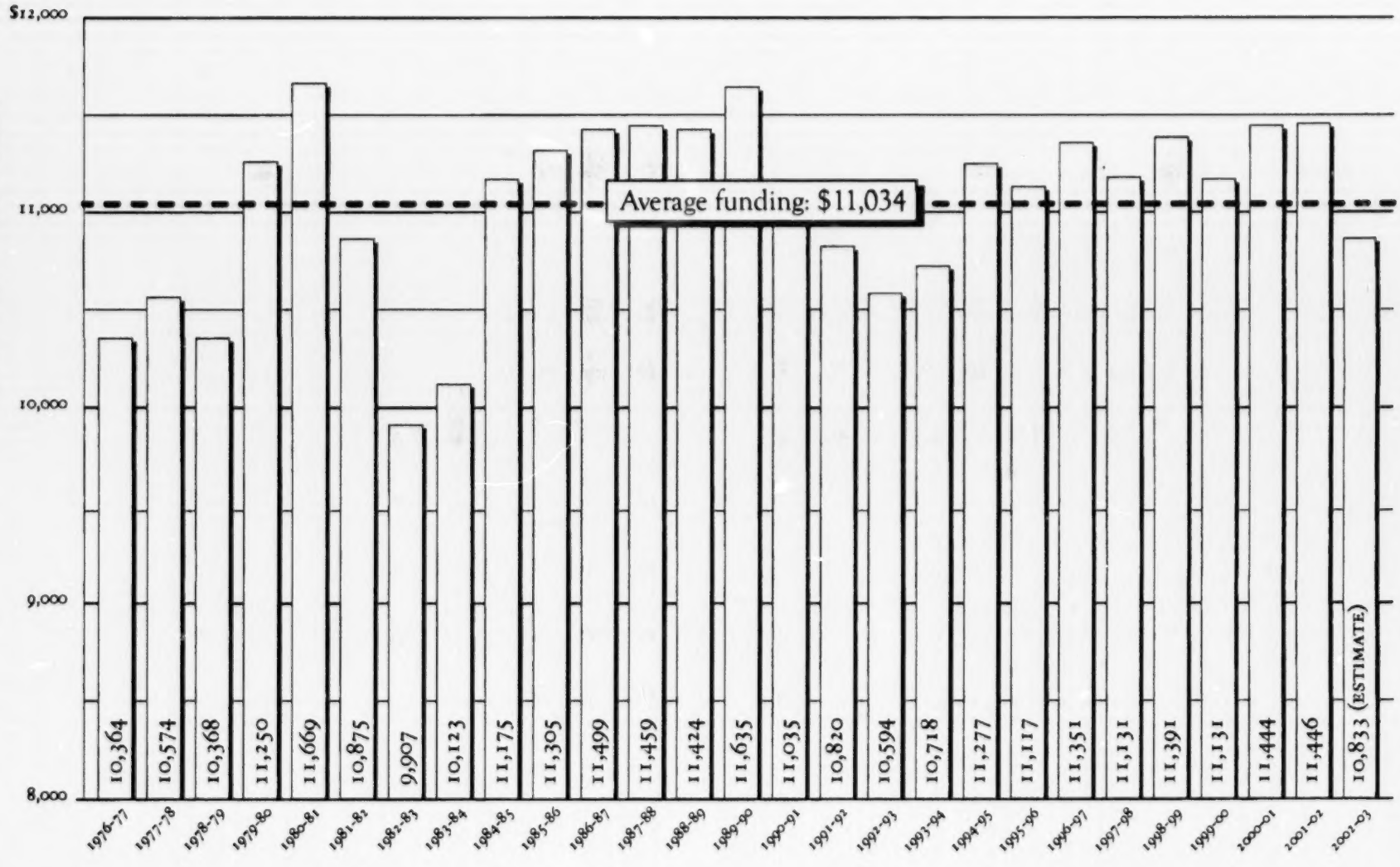
(Figure 7)

Revenues per FTES in 2002-03 Constant Dollars: CSU



* Source: CPEC Fiscal Profiles 2002

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C. California Community Colleges Funding Per Student

Figure 8 displays the total funding levels per FTES, in 2002-03 Constant Dollars, beginning with 1976-77. During this 27-year period, the lowest funding level per FTES is $4,042 (1982-83), and the highest is $5,209 (1977-78). We have computed the average funding level-$4,588—which is depicted with a bold and dashed horizontal line. Thus, the lowest year was $546 below (about 12%) this average, and the highest year was $621 above (about 13.5%) this average.

Over this 27-year period, 10 of the first 14 years were above the average; while for the ensuing 13 years beginning with 1990-91, only four were above the average. During the first 14 years of the period, average funding levels were $4,687 per student; while the average for the remaining 13 years is $4,503. During years of State budget difficulty (1981-82 through 1984-85, and 1991-92 through 1996-97, funding per FTES consistently dropped well below the average. In recent years, the community colleges first dropped below the average in 2001-02, a year earlier than UC and CSU. The trend continued in 2002-03 and 2003-04.

Over time, California has lagged far behind the national average in per-student funding for community colleges. Our funding levels have generally been only 60% to 70% of the national average. In 1970-71, the California Community College average funding per student was $911, while the national average was $1,314. By 1980-81, this differential was California-$2,001, and national average-$2,843. By 1993-94, the differential was California-$3,424, and national average $5,367. And by 1998-1999 the differential is California $4,017, and national average-$6,300.

When we return to Figure 8, we see that community college funding levels per student were more significantly above the average in the late 1970's and the late 1980's than they were in the late 1990's. Of the three higher education segments, the data indicate the community colleges have experienced a significant downward trend in funding levels per student. UC has also experienced a less-pronounced downward trend. CSU has remained closer to the 27-year average for most years. Clearly, no segment has any significant gain in terms of the State's Constant Dollar investment in per student funding.

Finally, it is important to recognize that in difficult fiscal times the erosion in levels of funding per FTES is actually worse than indicated in these materials. The levels of funding we have displayed are based on *funded* FTES, and do not take into account the significant numbers of unfunded FTES that community colleges and the other segments have been serving during periods of budgetary cutbacks. For instance, in 2002-03, the funding level per FTES for community colleges was $4,321. However, since about 3% of the system's FTES was not funded in this year, the levels of funding per FTES are actually 3% lower – approximately $4,191 per FTES. Thus, compared with the 30-year average of $4,588, community college funding levels for 2002-03 are almost 10% below this average.

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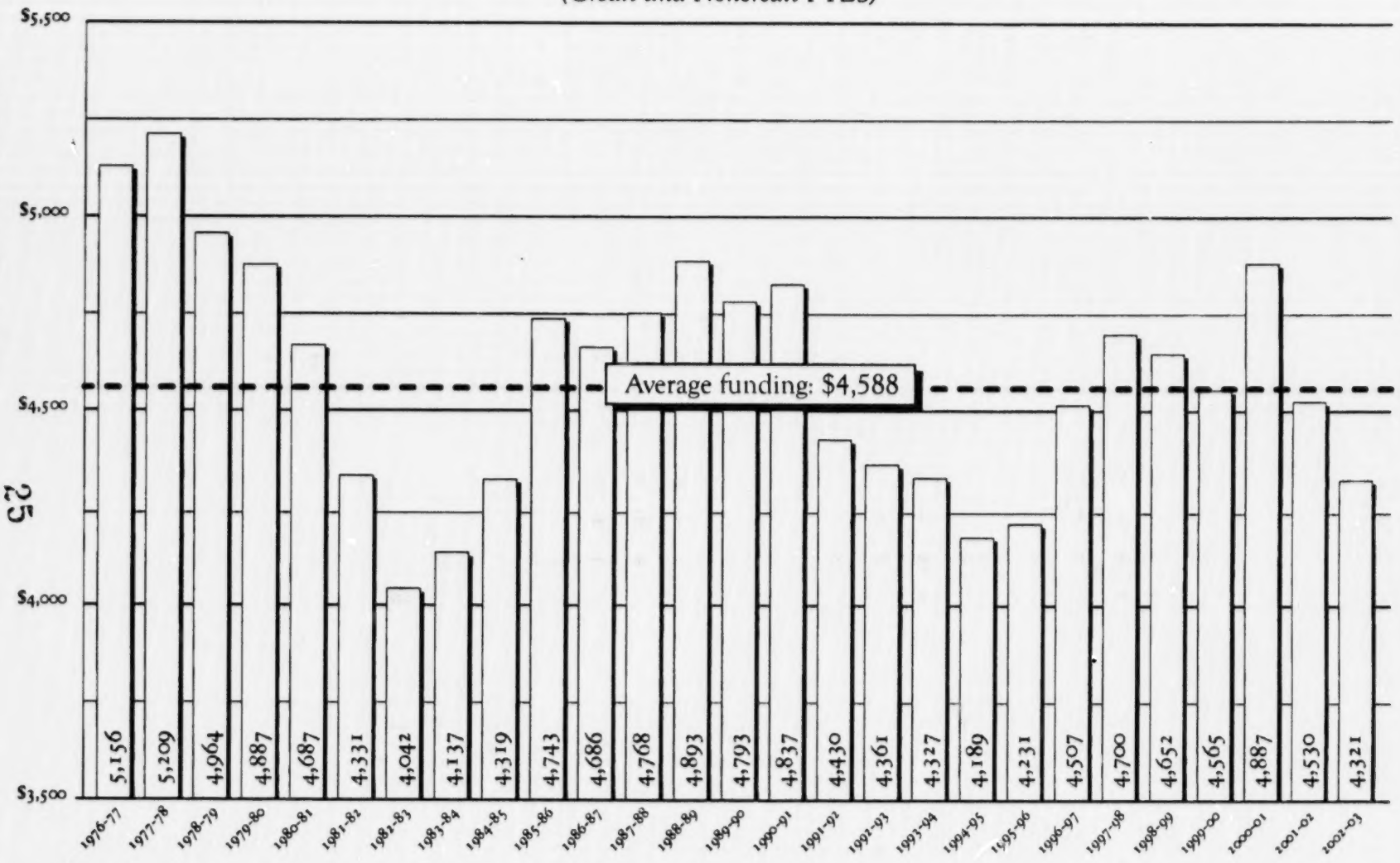
(Figure 8)

Revenues per FTES in 2002-03 Constant Dollars: CCC

(Credit and Noncredit FTES)



* *Source: CPEC Fiscal Profiles 2002*

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D. K-12 Funding Per Pupil

Figure 9 displays the funding per full-time student (ADA) in 2002-03 Constant Dollars, beginning with 1976-77.[1] In contrast with the displays for UC, CSU, and the community colleges, it is immediately apparent that there has been a steady increase in the investment in per pupil funding for K-12. A recent publication of the California Budget Project (Budget Watch, June 2003), reports that four areas of the State Budget account for almost all of the General Fund spending since 1989-90: K-12 education, health and human services, corrections, and tax relief. And, K-12 spending accounts for the largest portion (42.7%) of increased General Fund spending between 1989-90 and 2002-03.

Over the 27-year period, the lowest funding per ADA is $5,100 (1976-77), and the highest funding is $7,567 (2000-01). We computed the average for the 27 years-$6,202—which is indicated by a bold and dashed horizontal line. Thus, the lowest year was $1,102 below (about 18%) the average, and the highest year was $1,365 above (about 22%) the average.

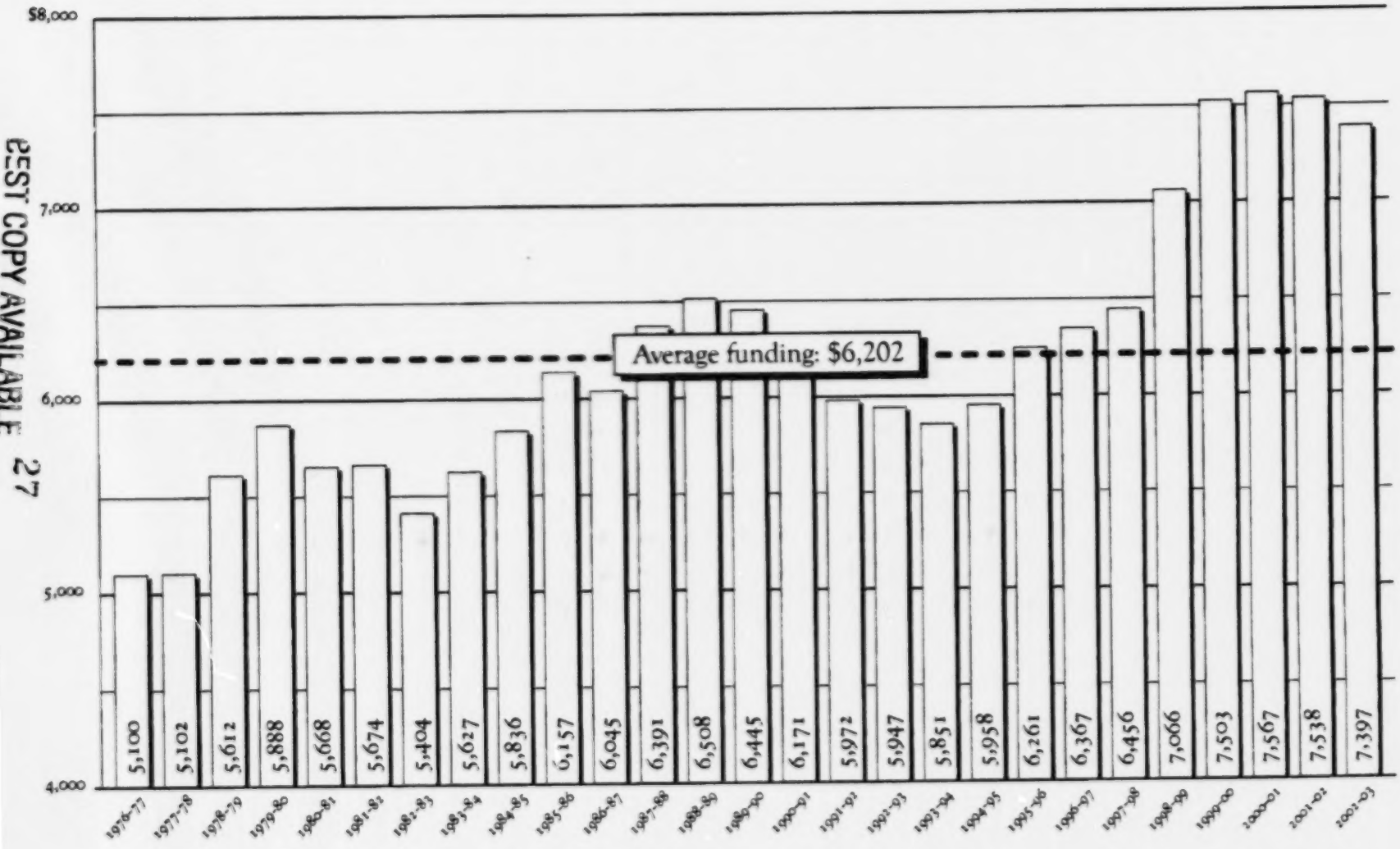
Over this 27-year period, only three of the first 14 years show revenues per ADA that are above the average; while eight of the ensuing 13 years are above the average. The average for the first 14 years is $5,818; while the average for the 13 ensuing years is $6,620. Finally, the average for the past five years (since 1998-99) is $7,414.

Despite these real gains, California remains below the national average in spending per student. As of 2001-02, California was spending $7,324 per student, while the national average was $8,087 (Ed Source, August 2003—reporting data from the National Education Association's (NEA) Rankings and Estimates. Further, California is next to last among the 10 most populous states.

[1] While CPEC's Fiscal Profiles does not report K-12 funding per ADA in terms of constant dollars, it does report actual K-12 funding levels per student. We consulted with Commission staff in determining the appropriate adjustment for converting to 2002-03 Constant Dollars.

(Figure 9)

Revenues per ADA in 2002-03 Constant Dollars: K-12



* Source: CPEC Fiscal Profiles 2002

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III. Conclusions

California has a very uneven record in providing access to higher education, and has consistently denied access to hundreds of thousands of Californians during times of recession and State budget difficulty. Access has been most compromised in the community colleges. During difficult fiscal times, access reductions in the community colleges have been deeper and more sudden. The numbers of students denied access are in the hundreds of thousands, rather than in the thousands or tens of thousands. This denial of access not only affects hundreds of thousands of individuals, but also negatively impacts the State's efforts to prepare the workforce, rekindle the economy, and maintain the social fabric.

While California enjoyed a long, relatively successful period of rebuilding enrollments from the fall of 1996 to the fall of 2002, our colleges and universities were essentially restoring access declines suffered during the early 1990's. Until 2002, the segments were making some progress in meeting the enrollment demands of "Tidal Wave II". Tragically, with the State budget deficit, the downward cycle began in the spring of 2003, and will continue for several years. Already-as of spring 2003-the loss of access to community colleges is at least 90,000 students. Hundreds of thousands of Californians are going to be denied educational opportunity unless the State responds differently than it has in the past.

While California has made a fairly steady and significant investment in K-12 education, the State still lags in per pupil spending--both in terms of the national average and the averages of the ten largest states. Over the years, the gap has been closed considerably, and California's K-12 schools are now funded at more than 90% of the national average. The community colleges, however, continue to be funded at less than two-thirds (about 63%) of the national average for community colleges--meaning that California's colleges operate on about $2,300 per student less than the national average.

For higher education generally, California has not made any real or sustained investment in UC, CSU, or the community colleges. For community colleges, the State has actually made less of an investment over time. During difficult fiscal times, the State has consistently retreated on its investment. Given that colleges serve increased numbers of students for which no funding is provided, the revenues per student are actually lower than reported. Reductions in the level of funding per student have forced the colleges to make changes that threaten quality, such as increasing class sizes, increasing student-to-counselor ratios, discontinuing various student support services, using more part-time faculty, and not replacing outmoded equipment.

While California enjoyed a long, relatively successful period of rebuilding funding levels per student during the past six or seven years, the downward cycle has again begun. Already, all three segments have dropped below their average funding levels for the past three decades, and the drop for community colleges is most pronounced. For the community colleges, the downward cycle began in 2001-02; and for UC, CSU, and K-12, the cycle began in 2002-03. This downward cycle will continue for several years, and the quality of education offered by the State's colleges will be compromised. These consequences are certain to occur unless the State responds differently than it has in the past. This analysis demonstrates there is no room for further erosion, and that the State should intervene immediately.

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